

Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 R

DRAFTED BY EB/IFD/OIA:WHCOURTNEY

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EB/IFD:PHBOEKER

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TREAS/OASIA:JBUSHNELL

OPIC/GC:CHUNT S/S - JPMOFFAT

T:CMAW

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O 151904Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN IMMEDIATE

C O N F I D E N T I A L STATE 179015

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN

SUBJECT: REYNOLDS NEGOTIATIONS

REF: GEORGETOWN 1427

PLEASE CONVEY THIS RESPONSE TO FORMIN RAMPHAL (OR
PM BURNHAM AT YOUR DISCRETION): (A) WE ARE REASSURED BY
YOUR SUGGESTION THAT THE DISCUSSIONS FOCUS ON COMPENSATION
QUESTIONS, IN VIEW OF YOUR GOVERNMENT'S EXPRESSED COMMIT-
MENT TO NATIONALIZATION AND EXPRESSED INTENT TO NEGOTIATE
AN AGREEMENT ON COMPENSATION. THIS APPROACH WILL CLARIFY
YOUR GOVERNMENT'S POLICY AND EXPEDITE DISCUSSIONS. THESE
DEVELOPMENTS PROMOTE OUR MUTUAL DESIRE TO CONTINUE GOOD
RELATIONS. (B) WE APPRECIATE THE REASONING BEHIND YOUR
SUGGESTIONS ON HOW TO PROCEED. WE WANT TO DO ALL WE CAN
TO FACILITATE TALKS. WHEN DISCUSSIONS GET DOWN TO SPECI-
FICS, HOWEVER, REYNOLDS MUST NEGOTIATE ON ITS OWN BEHALF
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SINCE IN THE END IT HAS TO DECIDE WHETHER TO ACCEPT ANY

AGREEMENT. WE DO HOPE THAT THE PARTIES WILL KEEP US INFORMED AND WE STAND READY TO OFFER OUR "GOOD OFFICES" WHERE THE PARTIES THINK WE CAN HELP. (C) THEREFORE, WE ASK YOUR SANCTION TO CONVEY URGENTLY THE FOLLOWING TO REYNOLDS' DIRECTORS:

-- YOUR GOVERNMENT'S WILLINGNESS TO SET ASIDE THE TALKS ON TAXES AND TO DISCUSS INSTEAD THE TERMS FOR NATIONALIZATION OF THE REYNOLDS' OPERATION;

-- YOUR GOVERNMENT'S DESIRE THAT SUCH TALKS BEGIN RIGHT AWAY; AND

-- A SUGGESTION THAT A TEAM EMPOWERED TO DISCUSS ALL ISSUES BE MADE AVAILABLE IN GEORGETOWN AT THE EARLIEST OPPORTUNITY.

WE WILL MAKE THIS APPROACH TO REYNOLDS AS SOON AS WE RECEIVE YOUR FAVORABLE RESPONSE. WE HOPE THAT ALL DISCUSSIONS AND POSITIONS REMAIN PRIVATE.

(D) MY GOVERNMENT BELIEVES THAT A MUTUAL AGREEMENT PROVIDING PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION CONSTITUTES A SATISFACTORY SOLUTION. SUCH A SOLUTION COULD NOT, OF COURSE, INCLUDE ANY DEDUCTION FOR TAXES LEVIED RETROACTIVELY OR APPLIED TO INFLUENCE COMPENSATION. THE PRESIDENTIAL POLICY STATEMENT ON "INVESTMENT SECURITY AND DEVELOPMENT ASSISTANCE," WITH WHICH YOU ARE ALREADY FAMILIAR, SETS OUT THE BROAD GUIDELINES. THE HICKENLOOPER AND GONZALEZ AMENDMENTS ALSO REFLECT THEM.

(E) WE HOPE THAT YOUR GOVERNMENT RECOGNIZES THAT THE REYNOLDS CASE DIFFERS FROM THE ALCAN CASE BOTH IN SCALE AND IN THE OVERALL ECONOMIC SETTING, NAMELY YOUR EXPECTATIONS ABOUT HIGH ALUMINUM PRICES AND THE REVENUE POTENTIAL OF REYNOLDS' FACILITY. LONG PAYMENTS AND LOW INTEREST RATES, AS IN THE ALCAN ARRANGEMENT, ERODE THE PRESENT VALUE OF AGREED COMPENSATION. THEREFORE, THE TERMS OF THAT ARRANGEMENT SHOULD NOT CONSTRAIN THE PARTIES IN REACHING AN AGREEMENT ON COMPENSATION. WE CANNOT DEFINE MORE SPECIFIC GUIDELINES ABOUT WHAT REYNOLDS WOULD ACCEPT. AMONG OTHER FACTORS, HOWEVER, REYNOLDS MIGHT CONSIDER THE CONFIDENTIAL

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PRESENT VALUE OF ANY PROPOSALS IN LIGHT OF ITS INSURANCE COVERAGE BY OPIC.

(F) OPIC'S INSURANCE CONTRACT WITH REYNOLDS REQUIRES PRIOR OPIC CONSENT TO ANY COMPENSATION AGREEMENT. FOR THIS REASON WE, THROUGH OPIC, HAVE A SPECIAL INTEREST IN BEING KEPT FULLY INFORMED ABOUT THE NEGOTIATIONS. WHILE AN AGREEMENT IS BEST REACHED BY DIRECT NEGOTIATIONS

BETWEEN THE PARTIES, IN A NUMBER OF PAST CASES OPIC'S FLEXIBLE USE OF ITS AUTHORITIES HAS HELPED FACILITATE SETTLEMENTS ON COMMERCIAL TERMS. (FYI. OPIC PREFERS NOT TO DISCUSS THE NATURE OR EXTENT OF A POSSIBLE OPIC GUARANTEE OF A SETTLEMENT UNTIL IT IS SEEN THAT REAL NEGOTIATIONS ON COMPENSATION ARE POSSIBLE. IF NECESSARY, AMBASSADOR CAN REFER IN GENERAL TERMS TO OPIC INVOLVEMENT IN GUARANTEEING OTHER SETTLEMENTS INVOLVING BANK CREDITS. END FYI)

(G) AGAIN, WE STRESS THAT AN AGREEMENT WITH REYNOLDS

ALMOST CERTAINLY WILL ELIMINATE ANY BASIS FOR DIFFERENCES BETWEEN US ON THIS MATTER. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, NATIONALIZATION, COMPENSATION, AGREEMENTS, NEGOTIATIONS, BUSINESS FIRMS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE179015
Document Source: CORE
Document Unique ID: 00
Drafter: WHCOURTNEY
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740224-1221
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740844/aaaablmg.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: GEORGETOWN 1427
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 SEP 2002 by boyleja>; APPROVED <21 FEB 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REYNOLDS NEGOTIATIONS
TAGS: EINV, EMIN, GY, US, REYNOLD GUYANA, (RAMPHAL), (BURNHAM)
To: GEORGETOWN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005